



# House of Representatives

General Assembly

**File No. 44**

February Session, 2022

House Bill No. 5218

*House of Representatives, March 21, 2022*

The Committee on Banking reported through REP. DOUCETTE of the 13th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## **AN ACT CONCERNING CARD ACCESS TO HOME EQUITY LINES OF CREDIT.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (c) of section 49-2 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective October*  
3 *1, 2022*):

4 (c) Advancements may also be made by a mortgagee, or the assignee  
5 of any mortgagee, under an open-end mortgage to the original  
6 mortgagor, or to the assign or assigns of the original mortgagor who  
7 assume the existing mortgage, or any of them, and any such mortgage  
8 debt and future advances shall, from the time such mortgage deed is  
9 recorded, without regard to whether the terms and conditions upon  
10 which such advances will be made are contained in the mortgage deed  
11 and, in the case of an open-end mortgage securing a commercial future  
12 advance loan, a consumer revolving loan or a letter of credit, without  
13 regard to whether the authorized amount of indebtedness shall at that  
14 time or any time have been fully advanced, be a part of the debt due

15 such mortgagee and be secured by such mortgage equally with the debts  
16 and obligations secured thereby at the time of recording the mortgage  
17 deed and have the same priority over the rights of others who may  
18 acquire any rights in, or liens upon, the mortgaged real estate  
19 subsequent to the recording of such mortgage deed, provided: (1) The  
20 heading of any such mortgage deed shall be clearly entitled "Open-End  
21 Mortgage"; (2) the mortgage deed shall contain specific provisions  
22 permitting such advancements and, if applicable, shall specify that such  
23 advancements are made pursuant to a commercial future advance loan  
24 agreement, a consumer revolving loan agreement or a letter of credit; (3)  
25 the mortgage deed shall state the full amount of the loan therein  
26 authorized; (4) the terms of repayment of such advancements shall not  
27 extend the time of repayment beyond the maturity of the original  
28 mortgage debt, provided this subdivision shall not be applicable where  
29 such advancements are made or would be made pursuant to a  
30 commercial future advance loan agreement, a consumer revolving loan  
31 agreement or a letter of credit, and the mortgage deed specifies that such  
32 advancements are repayable upon demand or by a date which shall not  
33 be later than thirty years from the date of the mortgage; (5) such  
34 advancements shall be secured or evidenced by a note or notes signed  
35 by the original mortgagor or mortgagors or any assign or assigns of the  
36 original mortgagor or mortgagors who assume the existing mortgage,  
37 or any of them, but no note shall be required with respect to any  
38 advancements made pursuant to a commercial future advance loan  
39 agreement, a consumer revolving loan agreement or a letter of credit as  
40 long as such advancements are recorded in the books and records of the  
41 original mortgagee or its assignee; (6) the original mortgage shall be  
42 executed and recorded after October 1, 1955; (7) the original mortgagor  
43 or mortgagors, or any assign or assigns of the original mortgagor or  
44 mortgagors who assume the existing mortgage, or any of them, are  
45 hereby authorized to record a written notice terminating the right to  
46 make such optional future advances secured by such mortgage or  
47 limiting such advances to not more than the amount actually advanced  
48 at the time of the recording of such notice, provided a copy of such  
49 written notice shall also be sent by registered or certified mail, postage

50 prepaid and return receipt requested, to the mortgagee, or a copy of  
51 such written notice shall be delivered to the mortgagee by a proper  
52 officer or an indifferent person and a receipt for the same received from  
53 the mortgagee, and such notice, unless a later date is recorded or  
54 specified in the notice, shall be effective from the time it is received by  
55 the mortgagee; (8) except that if any such optional future advance or  
56 advances are made by the mortgagee, or the assignee of any mortgagee,  
57 to the original mortgagor or mortgagors, or any assign or assigns who  
58 assume the existing mortgage, or any of them, after receipt of written  
59 notice of any subsequent mortgage, lien, attachment, lis pendens, legal  
60 proceeding or adjudication against such real property, then the amount  
61 of any such advance, other than an advance made pursuant to a  
62 commercial future advance loan agreement or a letter of credit, shall not  
63 be a priority as against any such mortgage, lien, attachment, lis pendens  
64 or adjudication of which such written notice was given; (9) any notice  
65 given to the mortgagee under the terms of subdivision (8) of this  
66 subsection shall be deemed valid and binding upon the original  
67 mortgagee or any assignee of the original mortgagee, in the case of a  
68 mortgagee other than a banking institution, on the next business day  
69 following receipt by such mortgagee of such notice sent by registered or  
70 certified mail, postage prepaid and return receipt requested, or by hand  
71 delivery with a signed receipt, and in the case of a mortgagee which is a  
72 banking institution, on the next business day following receipt at the  
73 main office of such banking institution of such notice sent by registered  
74 or certified mail, postage prepaid and return receipt requested, or by  
75 hand delivery with a signed receipt. For the purposes of this subsection:  
76 (A) "Banking institution" means a bank and trust company, a national  
77 banking association having its main office in this state, a savings bank,  
78 a federal savings bank having its main office in this state, a savings and  
79 loan association, a federal savings and loan association having its main  
80 office in this state, a credit union having assets of two million dollars or  
81 more, or a federal credit union having its main office in this state and  
82 having assets of two million dollars or more; (B) "commercial future  
83 advance loan" means a loan to a foreign or domestic corporation,  
84 partnership, limited liability company, sole proprietorship, association

85 or entity, or any combination thereof, the proceeds of which are not  
86 intended primarily for personal, family or household purposes, which  
87 loan entails advances of all or part of the loan proceeds and repayments  
88 of all or part of the outstanding balance of the loan from time to time,  
89 and includes (i) a commercial revolving loan wherein all or part of the  
90 loan proceeds that have been repaid may be readvanced, and (ii) a  
91 commercial nonrevolving loan wherein previously advanced loan  
92 proceeds, once repaid, cannot be readvanced; and (C) "consumer  
93 revolving loan" means a loan to one or more individuals, the proceeds  
94 of which are intended primarily for personal, family or household  
95 purposes, which is secured by a mortgage on residential real property,  
96 and is made pursuant to an agreement between the mortgagor and  
97 mortgagee which (i) provides for advancements of all or part of the loan  
98 proceeds during a period of time which shall not exceed ten years from  
99 the date of such agreement and for repayments of the loan from time to  
100 time, (ii) provides for payments to be applied at least in part to the  
101 unpaid principal balance not later than ten years from the date of the  
102 loan, and (iii) [does not authorize access to the loan proceeds by a credit  
103 card or any similar instrument or device, whether known as a credit  
104 card, credit plate, or by any other name, issued with or without a fee by  
105 an issuer for the use of the cardholder in obtaining money, goods,  
106 services, or anything else of value on credit, and (iv)] does not provide  
107 that such a revolving loan to more than one mortgagor will be  
108 immediately due and payable upon the death of fewer than all the  
109 mortgagors who signed the revolving loan agreement. Nothing in this  
110 subsection shall affect the validity or enforceability of any loan  
111 agreement which provides for future advancements by a lender to a  
112 borrower as between such parties or their heirs, successors or assigns,  
113 or shall affect the validity or enforceability of any mortgage securing  
114 any such loan that would be valid and enforceable without the  
115 provisions of this subsection.

This act shall take effect as follows and shall amend the following sections:

Section 1	October 1, 2022	49-2(c)
-----------	-----------------	---------

**BA**      *Joint Favorable*

*The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*

---

**OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

**Explanation**

This bill, which removes the limitation that prevents state-chartered financial institutions from offering consumer revolving loans that provide access to loan proceeds by credit card, credit plate, or any similar payment methods, has no fiscal impact to the state or municipalities.

**The Out Years**

**State Impact:** None

**Municipal Impact:** None

**OLR Bill Analysis****HB 5218*****AN ACT CONCERNING CARD ACCESS TO HOME EQUITY LINES OF CREDIT.*****SUMMARY**

The law allows a mortgagee (lender) to advance money to the original mortgagor (borrower), or his or her assignee, through a consumer revolving loan under an open-end mortgage. By law, a “consumer revolving loan” (e.g., home equity line of credit) is generally a loan secured by a mortgage on residential real property, the proceeds of which are intended to be used for personal, family, and household purposes.

Under current law, in the case of an open-end mortgage securing a consumer revolving loan, the lender can make the advancement so long as, among other things, it does not authorize the borrower to access the loan proceeds by a credit card or any similar instrument or device used to obtain money, goods, services, or anything else of value on credit. The bill removes this limitation and, in doing so, allows state-chartered financial institutions to offer consumer revolving loans that provide access to loan proceeds by credit card, credit plate, or any similar payment methods.

As with other types of open-ended mortgages under existing law, consumer revolving loans have similar priority as initial mortgages during a foreclosure if certain conditions are met (e.g., the heading of the mortgage deed says, “Open-End Mortgage,” and the deed contains specific provisions that allow these types of advancements).

EFFECTIVE DATE: October 1, 2022

**COMMITTEE ACTION**

## Banking Committee

Joint Favorable

Yea 15 Nay 2 (03/08/2022)